

**Testimony before the Subcommittee on Capital Markets,
Insurance and Government Sponsored Enterprises
House Financial Services Committee**

Hearing on

“Saving Investors Money: Reducing Excessive SEC Fees”

March 7, 2001

**Scott Evans, Executive Vice President
TIAA-CREF**

Chairman Oxley, Chairman Baker and members of the Subcommittee: my name is Scott Evans, and I am the executive vice president of equity investments at TIAA-CREF. I appreciate the opportunity to appear before you today to express our support for proposed improvements to the current system of SEC fee collections. We would also like to express our support for an improvement in compensation levels for SEC staff.

TIAA-CREF, along with other financial organizations and associations, has written to members of the Senate to urge their support of Senate bill S.143 that would remedy the current fee inequity. I want to commend the full committee for making the reduction of fees charged to securities markets participants a priority for the 107th Congress, and the subcommittee for acting on that priority by holding this hearing. In addition, we encourage the House to introduce a companion bill as soon as possible.

With \$285 billion in assets under management, TIAA-CREF is a leading financial services organization, a major institutional investor, and one of the world's largest retirement systems with 2.3 million participants at more than 11,000 educational institutions. We offer our participants a broad array of retirement investment options through the College Retirement Equities Fund (CREF), which is regulated by the SEC as a 40 Act company and the TIAA Real

Estate Account, an SEC registrant. The TIAA-CREF group of companies also offer mutual funds and non-qualified personal annuities to the general public. In addition, we manage tuition savings programs in twelve states. In total, we hold equity shares of more than 3,000 U.S. companies on behalf of our clients.

Last year, TIAA-CREF paid over \$1.1 million in SEC fees assessed on securities transactions. In addition, we have paid more than \$3.6 million to register securities issued by the TIAA-CREF group of companies over the past five years. These fees represent a tax to our clients, reducing the funds available to meet their savings and investment goals. Moreover, the amount assessed is disproportionate to the SEC's spending needs. In fiscal 2001, the SEC is expected to collect \$2.47 billion in fees from participants in the securities markets, more than five times the \$423 million that is appropriated for the SEC's operating needs.

While we support the notion that market participants should fund the SEC's operations through "user" fees; the current fee levels are no longer appropriate. Congress enacted the existing structure several years ago when market activity was at much lower levels. The situation is very different today, with Americans participating much more actively in the securities markets. Given this greater level of activity, it is time to modify the SEC's fee structure in order to collect revenues that are more appropriate to the agency's operating costs. We therefore endorse the effort underway in Congress to reduce the various user fees – including registration, transaction, and merger and tender fees – to a level more in line with the SEC's funding needs.

Additionally, we support Acting Chair of the Securities and Exchange Commission Unger's continued commitment to correcting the existing staffing crisis at the SEC. The legislation before Congress would help achieve this goal by improving the SEC's ability to match the pay and benefits offered by the federal banking agencies. It is important that the SEC be able to attract and

retain qualified individuals in order to carry out the SEC's important oversight responsibility for the security markets and to provide for investor protection and education. We know from our experience working with the SEC staff that continuity of personnel is critically important to the efficient functioning of the agency. The legislation pending before Congress would help accomplish those goals.

In closing, I would like to thank the committee again for its commitment to reducing excessive SEC fees and to providing the funding necessary to enable the SEC to compete for qualified staff. It has been a privilege to speak with you today.